

SECTION II – SPECIFIC COMPLIANCE
FUND 90 – GENERAL LONG-TERM DEBT ACCOUNT GROUP

Pre-GASB Statement No. 34

The General Long-Term Debt Account Group (GLTDAG) represents a listing of the long-term liabilities of an entity and any monies that have been accumulated for their repayment. These would include:

- Serial Bonds Payable (Type II district debt only)
- Capital Leases
- Compensated Absences
- Early Retirement Incentive Programs
- Rebatable Arbitrage (if applicable)
- Judgments

Local school district auditors should refer to Chapter 13 of the GAAP Technical Systems Manual.

Compensated Absences

Statement No. 16 of the Governmental Accounting Standards Board (GASB), “Accounting for Compensated Absences”, changed the method for calculation of a district’s liability for compensated absences (e.g., vacation, sick leave). This Statement supersedes the instructions shown on pages 13.4 and 13.5 of the GAAP Technical Systems manual regarding calculation of this liability for inclusion in the general long-term debt account group. By memo of May 15, 1995, this department advised School Administrators and Public School Accountants of the change. Auditors should refer to GASB 16 and the Codification of Governmental Accounting and Financial Reporting Standards, Section C60, for further explanation and illustrations of calculations of vacation leave and sick leave.

Early Retirement Incentive Program

Legislation enacted in 1991 and 1993 provided early retirement incentives (ERIP) for certain members of TPAF and PERS who met certain age and service requirements and who applied for retirement between certain dates in that fiscal year. The ERIP was subject to Board approval. School districts are assessed annually for their actuarially determined contribution to fund this program. Each participating district was given several options as to the length of time it desired to fund this liability. Under GAAP, the district liability is considered a contractual obligation. The liability is calculated for each participating district and billed to the district separately from its normal pension obligation, if any. The unpaid principal portion of the liability is to be included as a district liability in the general long-term debt account group. Any advance payments made against that contractual obligation are considered GAAP expenditures (not prepaid) in the year of payment. The department recommends proper footnote disclosure and a supplemental exhibit in the general long-term debt account group identifying the annual maturities.

Rebatable Arbitrage

The glossary of The Government Finance Officers Association’s publication Governmental Accounting, Auditing, and Financial Reporting (the “blue book”) describes rebatable arbitrage as “A term used in connection with the reinvestment of the proceeds of tax-exempt debt. A requirement to remit to the federal government interest revenue in excess of interest costs when the proceeds from the sale of tax-exempt securities are reinvested in a taxable money market instrument with a materially higher yield.”

The 1994 edition of the “blue book” (page 93) describes two ways of accounting for rebatable arbitrage. The first approach is to treat excess earnings as a reduction of interest revenue (if this approach is taken, the liability for rebatable arbitrage is reported in the capital projects fund, rather than in the GLTDAG,

even if the liability is not expected to be paid until several years into the future). The second approach is to treat rebatable arbitrage like a claim or judgement. Using this approach, all interest income, regardless of whether it is rebatable, would be reported as revenue of the capital projects fund. The liability for rebatable arbitrage would then be reported in the GLTDAG until due. **GASBS 34 Model** - Districts which are implementing GASB 34 should refer to page 66 of the 2001 “blue book” for treatment of rebatable arbitrage, which states “Rebatable arbitrage should *not* be treated as a reduction of investment revenues in governmental funds: it should instead be treated in the same way as any other claim or judgment.” Therefore, only one approach is permissible under GASB 34. The liability would be recorded in the *Statement of Net Assets*.

GASB 34 Model – Long-term debt

Districts that are implementing the GASB 34 financial statement model will continue to use the general long-term debt account group (GLTDAG) for recording transactions throughout the year. Journal entries will be recorded as part of the year-end conversion process transferring the balances in the GLTDAG to the district wide *Statement of Net Assets*. When the National Center of Education Statistics (NCES) and NJDOE issue an updated chart of accounts, this methodology may be revised.

Statement of Net Assets

General long-term liabilities include bonds, notes, and other long-term liabilities that are not directly related to and expected to be paid from proprietary funds and trust funds. Liabilities of the proprietary fund are reported in the proprietary fund *Statement of Net Assets*; liabilities of the trust fund are reported in the *Statement of Fiduciary Net Assets*. General long-term liabilities of the district should be reported in the governmental activities column of the district-wide *Statement of Net Assets*. Long-term liabilities include, but are not limited to the non-current portion of capital and certain operating leases, compensated absences, claims and judgments, pensions, and special termination benefits liabilities. Similar to the presentation of assets, general long-term liabilities are reported in the order of liquidity. “Liabilities with average maturities greater than one year should be reported in two components – the amount due within one year and the amount due in more than one year” (GASB 34, par. 31).

Interfund liabilities, even if non-current, are not general long-term liabilities. District staff and auditors should refer to the revised GASB Codification 1500.

Governmental Funds Statements

Governmental funds reporting focuses on current financial resources, hence the fund financial statements do not include long-term liabilities such as bonds payable. The fund statements are intended to present a more detailed short-term view of basic education services with the most readily available assets and current liabilities. The governmental funds balance sheet includes a reconciliation of total governmental funds balance to the net assets of governmental activities. Long-term liabilities are a common reconciling item. The purpose of the reconciliation is to assist the reader to understand how the short-term financial information in the governmental funds statements differs from the more comprehensive financial information in the district-wide statements.